

# California Legislature



ASSEMBLY REPUBLICAN CAUCUS  
DAVE COX, LEADER  
TONY STRICKLAND, CAUCUS CHAIRMAN

June 30, 2003

The Honorable Herb J. Wesson  
California State Assembly, Speaker  
State Capitol, Room 319  
Sacramento, CA 95814

Dear Mr. Speaker:

As we enter into the final day of the fiscal year, it is unfortunate that we will not have a budget bill passed out of the Assembly, nor will one be passed out of the Senate before the Constitutional deadline.

Even as we were pressed up against the deadline last Friday, your caucus introduced a bill on the floor of the Assembly that was characterized as the "Republican Budget Plan." It was not our plan at all and Republicans refused to vote for the bill. As a result, Californians were left with press reports that leave the public with little confidence in the political process. The newspapers all seemed to portray the political gamesmanship that occurred.

Surely you agree that this is not the time for partisan gamesmanship, political posturing, or extremist rhetoric. Let me be perfectly clear. Assembly Republicans are not interested in wasting any more time or taxpayer money responding to political "drills". We are united in wanting to have a responsible State Budget approved and signed by the Governor as soon as possible. Ultimately, we want to see a budget process that is driven by professional budget consultants, not by partisan, political consultants.

The Assembly Republican Budget Plan was originally released on April 28, 2003, prior to the May Revision. As a result, my caucus has revised its plan to reflect the change in fiscal circumstances since the release of the original Republican proposal. For example, it was necessary to reflect the increase in Federal funds received by California; the reported change in the ability to sell the tobacco bonds, etc. In revising the budget plan, we believe that we have crafted an acceptable blueprint for a compromise budget that we hope can garner sufficient votes on both sides of the aisle to be approved into law. My goal is to present this plan to you today, allowing you and your budget staff adequate time to review and analyze the details, so that the Democratic Caucus can make an informed decision on the proposal.

The attached budget proposal was constructed with the following objectives:

- Balanced Budget for 2003-04
- Minimize Out Year Structural Budget Problems
- No Tax Increases, including no Car Tax increase
- No Local Government Reductions
- 100% Full Proposition 98 Education Funding
- Reduce Budget Year Spending As Necessary
- Allow For Modest Spending Growth After 2003-04
- Financing Current and Prior Year Deficit Over Specified Period

These objectives were chosen to meet the priorities of both Republican and Democrat members in order to craft a bi-partisan proposal that could gain sufficient support in both caucuses to meet the 2/3 vote threshold needed for passage of the budget.

Support of this comprehensive budget proposal would also include support for important structural reforms that are an integral part of establishing a solid framework for the economy, and for government itself to be more effective and disciplined in its operations

#### Structural Reforms

- Balanced Budget Amendment
- Limit Future Deficit Financing
- Local Government Mandate Reform
- Spending Cap

- Sinclair Paint Fee Reform
- Inmate Health Care Reform
- Local Government Protection

Moreover, beyond these macro level reforms, it is just as important to approve legislation with the budget that provides relief to those entities needing to deal with the reductions adopted. For example, it is imperative that we enact reforms to allow K-12 school and community college districts the flexibility to handle budget reductions more effectively at the local level. Districts would also be well served if we provided them a block grant for categorical programs. For many school districts categorical funding has always hampered their ability to manage their own budgets.

At this point in the process, I believe that both Republicans and Democrats have sufficiently made their partisan points of view heard. It is time for us to put aside our differences, agree on the priorities that we can agree on, and work together on passing a budget that will require us all to make difficult compromises.

Both Republicans and Democrats are in agreement that expenditures in the Budget Bill for 2003-04 should be balanced with anticipated revenues. Furthermore, we both agree that any budget that is passed should minimize structural deficits in the subsequent years after its passage. Notwithstanding the fact that the Democrat Budget Proposal taken up last Friday did contemplate suspending Proposition 98 funding, I assume that both Republicans and Democrats agree that education spending should remain at the Proposition 98 Constitutional guarantee level. This proposal also includes K-12 equalization funding that is supported by both our caucuses.

Clearly, our differences revolve around the insistence of liberal Democrats for continuing government spending at higher and higher levels; and the insistence of Republicans for balancing the budget on spending reductions alone.

In order to forge a compromise solution to the budget crisis, Republicans have made significant concessions in order to accommodate Democrat priorities in this proposal. Our original budget plan proposed a “spending freeze” in 2004-05 to hold state expenditures down to the 2003-04 budget spending levels. **However, in order to find middle ground with the Democrat position, we are willing to compromise on allowing modest**

**spending growth after 2003-04 to mirror increases in population and inflation.**

This proposal rejects specified reductions in spending to high priority Democrat health and human services programs such as Medi-Cal optional dental benefits and durable medical equipment funding. Democrats have insisted that low-income Medi-Cal recipient should not be denied funding for extra dental services, colostomy bags, etc. This compromise proposal funds those programs. Furthermore, consistent with our original budget plan, as a concession to legislative Democrats, this compromise proposal continues to reject the 1931(b) Medi-Cal expansion cut proposed by the Governor in his January proposal.

The original Republican budget plan proposed financing the current and prior year deficit spending over a 5-year period of time. This proposed deficit financing was a major step for Republicans two months ago in order to find middle ground with the Democrat spending ideology. While debt financing is still a significant concession on the part of Republicans, we are willing to accept the financing over a 6-year period of time as outlined in this compromise budget proposal.

While trying to meet Democrat budget priorities, this compromise proposal also meets Republican priorities by requiring no new tax revenue increases to balance the budget, including the car tax revenue. Consistent with the Republican position, it does contain significant budget reductions in 2003-04. **After adjusting for various funding shifts, proposed spending drops by 5% in 2003-04 in comparison to 2002-03 spending levels.** A 5% reduction seems to be a reasonable amount that can be absorbed without catastrophic consequences.

Clearly, there are areas in which we can fully agree and areas in which both our caucuses will need to make some difficult compromises from their partisan ideologies. There are also areas in which we can guide our caucuses to come to some mutual agreement. In both the areas of transportation and local government, we should be able to reach consensus on an agreeable solution. Members in both caucuses appear agreeable to rejecting the Governor's proposal to suspend Proposition 42 funds.

While all prior proposals have placed a heavy burden on local government to shoulder the responsibility of balancing the State budget, this proposal does not make any reductions to local government.

• Governor's January Proposal	Eliminate VLF backfill	\$3.679 billion
• Speaker's Midyear Proposal	Unallocated Reduction	\$500 million
• Assembly Republican Proposal	Specific Reductions	\$315 million
• Governor's May Revise Proposal	VLF Backfill / Other	\$1.16 billion
• Canciamilla-Richman Proposal	Specific & Unallocated	\$861 million
• Assembly Democrat Proposal	Specific & Unallocated	\$1.4 billion
• Assembly GOP June Proposal		\$0

It is my belief that this overall budget proposal is the template for a final budget deal. Once we can come to agreement in concept on this budget plan, we can move in earnest to get a budget bill in legislative counsel form and work out details on specific trailer bill language.

Mr. Speaker, the first time we took the budget bill onto the Assembly floor for a vote, you stated very poignantly *"You want to rumble? I'm from the streets, let's rumble."* **The people of California don't want to see us fight; they simply want us to do what is right.** For the overall good of everyone in this State, I am asking you and your caucus to consider approving this compromise proposal. If sufficient Democrat votes are available for its passage, I suggest that we take the proposal up on the Assembly floor as soon as all the details can be hammered out and send it over to the Senate for approval.

It is my sincere hope that we can come to an agreement on the terms of this budget proposal so that California will have a budget in place as soon as possible.

Sincerely,

DAVE COX  
Assembly Republican Leader